UNITED STATES PATENT AND TRADEMARK OFFICE

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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

Ex parte JONATHAN DAVID GOODWIN

Appeal 2015-001315[1]
Application 11/762,695[2]
Technology Center 3600

Before HUBERT C. LORIN, TARA L. HUTCHINGS, and
MATTHEW S. MEYERS, *Administrative Patent Judges.*

MEYERS, *Administrative Patent Judge.*

DECISION ON APPEAL

STATEMENT OF THE CASE

Appellant appeals under 35 U.S.C. § 134(a) from the Examiner's final
rejection of claims 12–20. We have jurisdiction under 35 U.S.C. § 6(b). An
Oral Hearing was held February 23, 2017.

We REVERSE and enter a NEW GROUND OF REJECTION.

CLAIMED INVENTION

Appellant's "invention relates to an on-line system for validating and printing value-bearing indicia in a Wide Area Network (WAN) environment" (Spec. ¶ 2).

Claim 12 is the only independent claim on appeal. Claim 12, reproduced below with added bracketed notations, is illustrative of the subject matter on appeal:

> 12. A method of providing a value bearing indicium to an end-user via a computer network, the method comprising:
>
> [a] providing an indicium server, the indicium server coupled to a database;
>
> [b] generating a web interface by a distributor server coupled to the computer network;
>
> [c] receiving by the indicium server validation information responsive to a value bearing indicium request from an end-user machine, from the end-user machine via the computer network;
>
> [d] generating by the indicium server a digital signature, using the validation information;
>
> [e] generating by the indicium server value bearing indicium data using the digital signature;
>
> [f] storing the digital signature in the database;
>
> [g] receiving a scanned copy of a printed value bearing indicium data including a copy of the digital signature, from a remote terminal including a scanning machine used to scan the printed value bearing indicium data, by the indicium server via the computer network;
>
> [h] determining a validity status for the value bearing indicium data by the indicium server from the received scanned copy of the digital signature in the received scanned value bearing indicium, and the stored digital signature in the database; and
>
> [i] transmitting the validity status to the remote terminal by the indicium server via the computer network.

(Appeal Br. 15 (Claims App'x)).

REJECTIONS

Claims 12–20 are rejected under 35 U.S.C. § 112(b) or 35 U.S.C. § 112, second paragraph (pre-AIA) as incomplete for omitting essential steps (*see* Final Act. 9–10).

Claims 12 and 17 are rejected under 35 U.S.C. § 103(a) as unpatentable over Leon (US 7,194,957 B1, iss. Mar. 27, 2007), Kay (US 6,223,166 B1, iss. Apr. 24, 2001), and Heiden (US 6,408,286 B1, iss. June 18, 2002) (*see* Final Act. 10–13).

Claims 13–16 and 18 are rejected under 35 U.S.C. § 103(a) as unpatentable over Leon, Kay, Heiden, and Fujimura (US 6,842,741 B1, iss. Jan. 11, 2005) (*see* Final Act. 13–14).

Claim 19 is rejected under 35 U.S.C. § 103(a) as unpatentable over Leon, Kay, Heiden, Pintsov (US 5,448,641, iss. Sept. 5, 1995), and Cordery (US 6,085,182, iss. July. 4, 2000) (*see* Final Act. 14–15).

Claim 20 is rejected under 35 U.S.C. § 103(a) as unpatentable over Leon, Kay, Heiden, and Sit (US 6,898,707 B1, iss. May 24, 2005) (*see* Final Act. 15–16).

ANALYSIS

Omitting Essential Subject Matter
Independent claim 12 and dependent claims 13–20

We are persuaded the Examiner erred in rejecting independent claim 12 as being incomplete for omitting essential steps, such omission amounting to a gap between the steps (*see* Final Act. 9–10; *see also* Ans. 3–4).

The Examiner takes the position that independent "claim[] 12 recites . . . 'receiving a scanned copy of a printed value.' However there []is no step of scanning" (Final Act. 4). The Examiner also finds "the recitation of 'a scanning machine used to scan . . . ' does not cure this defect as it is unclear if the received scanned copy is the same as the copy scanned by the scanning machine" (Ans. 4). However, we agree with Appellant that "[t]he 'scanning step' is not included in the method claim 12, because the method claim is directed to the remote servers and database, and not to the point of redemption of the ticket, that is, where the scanning machine would be located" (Appeal Br. 2). We, thus, find that one skilled in the art is able to understand what is claimed without the Examiner-numerated essential step of scanning. Accordingly, we do not sustain the rejection under 35 U.S.C. § 112, second paragraph.

Obviousness

We are persuaded by Appellant's argument that the Examiner erred in rejecting independent claim 12 under 35 U.S.C. § 103(a) because the combination of Leon, Kay, and Heiden fails to disclose or suggest "transmitting the validity status to the remote terminal by the indicium server via the computer network," as recited by limitation [i] of independent claim 12 (*see* Appeal Br. 13–14; *see also* Reply Br. 7–8).

The Examiner maintains that the rejection is proper, and cites Kay, at column 4, line 14 through column 5, line 55, as disclosing the argued limitation (*see* Final Act. 11). In the Answer, the Examiner also appears to rely on Heiden, at column 10, line 56 through column 11, line 19 and column 11, line 65 through column 12, line 11 (*see* Ans. 9).

Leon is directed to "a method for printing one or more value indicia onto a printable medium using a remote device coupled to a computer server via a communications network" (Leon, col. 4, ll. 47–50). Leon discloses "user computers **112***a*, **112***b*, and **112***c* communicate over a communication network **116**, e.g., the Internet, to a server system **118**, which may include one or more Web servers **120**" (*id.* at col. 7, ll. 46–49; *see also id.* at Figs. 1A, 1E). Leon also discloses a database coupled to its server system (*see id.* at col. 7, ll. 60–61; *see also id.* at col. 9, ll. 5–9, col. 16, ll. 36–47, Figs. 1A, 1E). Leon discloses that its "Web server **352** may receive a request to purchase postage from the user computer **112**, and may validate this purchase request. Numerous validation checks may be performed, such as, for example, validating credit card information, user identity, serial numbers, etc." (*id.* at col. 19, ll. 21–25; *see also id.* at col. 16, ll. 64–66). Leon further discloses "[o]ne or more [Postal Security Device Module (PSDM)] servers **354** then generate the information for printing the requested indicium (or indicia). The information for printing an indicium includes a digital signature signed by cryptographic module **356** coupled to PSDM server **354**" (*id.* at col. 19, ll. 36–40; *see also id.* at col. 19, ll. 47–53).

Kay is directed to "a ticket issuing and collection system and method of operation in a distributed information system in which cypher-coded, electronic tickets for an event are issued in hard copy form by a purchaser for authentication at the event by a scanning device" (Kay, col. 2, ll. 29–33). In this regard, Kay discloses that its system utilizes "the Internet, and portable collection terminals for generating, distributing and collecting cypher-coded tickets personalized to the purchaser through cryptographic techniques" (*id.* at col. 2, ll. 46–50). More particularly, Kay discloses that

its "ticket collectors use a portable terminal pre-loaded with an asymmetric or symmetric key for decrypting the code in the ticket. The decrypted code is evaluated to ensure that the ticket is valid, after which the ticket information is stored in the terminal" (*id.* at col. 2, ll. 61–65). Kay further discloses

> the portable terminal **27** includes a scanning element **29**, such as a laser light, which is activated by the operator for scanning a ticket 31 including a bar code **33** representing cypher code definitive of the ticket information in an asymmetric cryptographic system. . . . A processor **39** receives an output from the receiver **37** and checks the bar code against an asymmetric key stored in a memory **40** and assigned to the event by the seller. Using an asymmetric key assigned by the seller to the event, the bar code is decoded and compared against an event description stored in the memory **40**. If the event description and decoded cypher code compare, the ticket is authenticated and the holder is granted admission to the event. If the event description and the decoded cypher code do not compare, the ticket holder is denied admission to the event.

(*Id.* at col. 4, ll. 42–58).

Heiden "is directed to a postage printing system including subsidies for printing of third party coupons" (Heiden, col. 1, ll. 25–27). Heiden discloses that its "printed coupons may include secure information, preferably in the form of a bar code, by which the coupon may be authenticated upon redemption" (*id.* at col. 3, ll. 41–44). In this regard, Heiden discloses

> [c]onventional methods of authenticating documents, such as verifying a unique number, digital signature, digital certificate or other encrypted information, may be used. The coupon may further include information identifying the mailpiece addressee and/or the user who generated the mailpiece. Such information may be encoded as secure information and may be printed as part of a bar code, such as a 2-D bar code.

(*Id.* at col 10, ll. 28–35). Heiden further discloses

> data center 200 may buy postage in advance from postal
> authority and store it in the postage meter in conventional
> fashion. Thus, the data center 200 may establish one postage
> meter per account or multiple accounts per postage meter. In
> either event, the postage meter manufacturer takes care of
> obtaining, recharging and inspecting the postage meter as
> required by the postal authority.

(*Id.* at col. 6, ll. 28–35). Heiden still further discloses

> [w]hen retaile[r] **400**, receives the coupon, retailer preferably
> authenticates the coupon in an on-line transaction with a
> redemption center **500** via a retailer computer **402**. Redemption
> center **500** includes a control system **502** that is in
> communication over a suitable communication network **510**,
> such as: telephone lines, public and private network system
> (Internet) or the like; with a control system **202** from the data
> center **200**.

(*Id.* at col. 6, ll. 51–58).

We have reviewed the cited portions of Kay and Heiden, in view of
Leon, and agree with Appellant that the cited prior art fails to disclose or
suggest "transmitting the validity status to the remote terminal by the
indicium server via the computer network," as recited by limitation [i] of
independent claim 12. Here, as Appellant points out (Appeal Br. 13), Kay
discloses that its portable terminal 27 which includes a scanning element 29
"checks the bar code against an asymmetric key <u>stored in a memory **40**</u>"
(Kay, col. 4, ll. 42–51 (emphasis added)). Thus, we agree with Appellant
that "[t]here is no transmission of 'the validity status to the remote terminal
by the indicium server via the computer network' in Kay" (Appeal Br. 13).

Responding to Appellant's argument in the Response to Argument
section of the Answer, the Examiner takes the position

> transmitting the information to a remote site where the validity
> is determined (which would necessarily involve comparison of
> the send digital signature with a verification copy stored in a
> database) (See H[e]iden; col. 10 ln 56- col. 11 ln 19 and col. 11
> ln 65 – col. 12 ln 11

(Ans. 9).

The difficulty with the Examiner's finding is that limitation [i] does not merely require "transmitting the validity status to the remote terminal;" but rather, requires transmitting the validity status to the remote termination from the same server that generated the value bearing indicium, i.e., "transmitting the validity status to the remote terminal <u>by the indicium server</u> via the computer network" (emphasis added). We fail to see, and the Examiner does not adequately explain, how Heiden's disclosure regarding database center 200, retailer 400, and redemption center 500 discloses or suggests "transmitting the validity status to the remote terminal <u>by the indicium server</u> via the computer network," as required by limitation [i] of independent claim 12 (*see, e.g.*, Heiden, Fig. 3; *see also id.* at col. 6, ll. 24– 67). The Examiner does not rely on Leon to address this deficiency.

In view of the foregoing, we do not sustain the Examiner's rejection of independent claim 12 under 35 U.S.C. § 103(a). For the same reasons, we also do not sustain the Examiner's rejections of claims 13–20, which depend therefrom.

NEW GROUND OF REJECTION

We enter the following new ground of rejection pursuant to our authority under 37 C.F.R. § 41.50(b).

Non-Statutory Subject Matter

Under 35 U.S.C. § 101, an invention is patent-eligible if it claims a "new and useful process, machine, manufacture, or composition of matter." 35 U.S.C. § 101. The Supreme Court, however, has long interpreted § 101 to include an implicit exception: "[l]aws of nature, natural phenomena, and abstract ideas" are not patentable. *See, e.g., Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 134 S. Ct. 2347, 2354 (2014).

The Supreme Court, in *Alice*, reiterated the two-step framework previously set forth in *Mayo Collaborative Services v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1300 (2012), "for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of these concepts." *Alice Corp.*, 134 S. Ct. at 2355. The first step in that analysis is to "determine whether the claims at issue are directed to one of those patent-ineligible concepts," (*id.*) e.g., to an abstract idea. If the claims are not directed to an abstract idea, the inquiry ends. Otherwise, the inquiry proceeds to the second step where the elements of the claims are considered "individually and 'as an ordered combination'" to determine whether there are additional elements that "'transform the nature of the claim' into a patent-eligible application." *Alice Corp.*, 134 S. Ct. at 2355 (quoting *Mayo*, 132 S. Ct. at 1297).

The Court acknowledged in *Mayo*, that "all inventions at some level embody, use, reflect, rest upon, or apply laws of nature, natural phenomena, or abstract ideas." *Mayo*, 132 S. Ct. at 1293. We, therefore, look to whether the claims focus on a specific means or method that improves the relevant technology or are instead directed to a result or effect that itself is the

abstract idea and merely invoke generic processes and machinery.
See Enfish, LLC v. Microsoft Corp., 822 F.3d 1327, 1336 (Fed. Cir. 2016).

Applying the framework set forth in *Alice*, and as the first step of that analysis, we find that the claims are directed to the concept of determining the validity of a value bearing indicium, and as such, the claims are directed to a "longstanding commercial practice" and a "method of organizing human activity." *See Alice* at 134 S. Ct. at 2356–57.

In making this determination, we note that according to the Specification the "present invention relates to generating value-bearing indicia such as postage or ticket indicia," and more specifically "to an on-line system for validating and printing value-bearing indicia in a Wide Area Network (WAN) environment" (Spec. ¶ 2). The Specification identifies that "[v]alue-bearing indicia (VBI) are used in a variety of transactions where a holder of a VBI is entitled to receive goods or services" (*id.* ¶ 3). The Specification observes, however, that

> [a] significant drawback of existing ticketing systems is that the user may need to take physical possession of the ticket before it can be used. Physical receipt of the ticket usually requires that the airline or ticket agency mail the ticket to the user. Alternatively, the user may accept receipt of the ticket at a location prior to redeeming the ticket when boarding the specified flight.

(*Id.* ¶ 10). To address this drawback, the Specification identifies "a software based on-line ticketing system is needed that is capable of issuing a ticket directly to the user so that the user can print the ticket for themselves. Furthermore, the issued ticket must be capable of being validated when the user redeems the ticket" (*id.* ¶ 11). Thus, according to the Specification

> a data processing system receives validation information from a
> user via a computer network. The data processing system
> generates a value bearing indicium using the validation
> information and stores the value bearing indicium in a
> validation information database. The data processing system
> transmits the value bearing indicium to the user via the
> computer network. The value bearing indicium is redeemed by
> scanning the value bearing indicium using a scanning
> application. The [data processing system] accepts the value
> bearing indicium from a scanning application via the computer
> network and determines a validity status for the value bearing
> indicium using the validation information database. The data
> processing system then transmits the validity status to the
> scanning application.

(*Id.* ¶ 13). We also note that independent claim 12 is directed to "[a] method
of providing a value bearing indicium to an end-user via a computer
network" and includes steps for "providing an indicium server," "generating
a[n] . . . interface by a distributor server," "receiving by the indicium server
validation information responsive to a value bearing indicium request,"
"generating by the indicium server a digital signature, using the validation
information," "generating by the indicium server value bearing indicium
data using the digital signature," "storing the digital signature," "receiving a
scanned copy of a printed value bearing indicium data including a copy of
the digital signature," "determining a validity status for the value bearing
indicium data by the indicium server," and "transmitting the validity status."

Our reviewing courts have held certain fundamental economic and
conventional business practices, like verifying the validity of credit card
transactions (*see CyberSource Corp. v. Retail Decisions, Inc.*, 654 F.3d
1366, 1370 (Fed. Cir. 2011), detecting fraud and/or misuse in a computer
environment (*see FairWarning IP, LLC v. Iatric Systems, Inc.*, 839 F.3d
1089, 1093–94 (Fed. Cir. 2016), guaranteeing transactions (*see buySAFE,*

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Inc. v. Google, Inc., 765 F.3d 1350, 1354 (Fed. Cir. 2014), and intermediated settlement (*see Alice*, 134 S. Ct. at 2356–57), to be abstract ideas. Here, the concept to which the claims are directed to, e.g, determination of a validity status for a value bearing indicium data to which independent claim 12 is directed to, is similar to these abstract ideas, and thus, we determine that independent claim 12 is directed to an abstract idea.

Turning to the second step of the *Alice* analysis, because we find that independent claim 12 is directed to an abstract idea, the claim must include an "inventive concept" in order to be patent-eligible, i.e., there must be an element or combination of elements that is sufficient to ensure that the claim in practice amounts to "significantly more" than the abstract idea itself. Here, we find nothing in the claim elements, taken individually or as an ordered combination, which removes the claims from the class of patent ineligible subject matter.

In this regard, independent claim 12 includes several components of a data processing system comprising an "indicium server," "database," "distributor server," "computer network," and "remote terminal." However, these components merely recite generic computer elements, and "the mere recitation of a generic computer cannot transform a patent-ineligible abstract idea into a patent-eligible invention." *Alice* 134 S. Ct. at 2358. *C.f. Inventor Holdings, LLC v. Bed Bath & Beyond Inc.*, 123 F. Supp. 3d 557, 560 (D. Del. 2015), aff'd, 643 F. App'x 1014 (Fed. Cir. 2016) (claims directed to the use of a POS terminal to transmit transaction-related information and to process payments held invalid under 35 U.S.C. § 101). The Specification supports this view (*see* Spec. ¶¶ 27–35, 70–72; *see also* Fig. 1).

Nothing in independent claim 12 purports to improve computer functioning or "effect an improvement in any other technology or technical field." *Alice*, 134 S. Ct. at 2359. In fact, the Specification discloses that its "software-based system has been developed that does not require specialized hardware for each user" (Spec. ¶ 7). Nor does the claim solve a problem unique to the Internet. *See DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1257 (Fed. Cir. 2014).

Therefore, because independent claim 12 is directed to an abstract idea and nothing in the claim adds an inventive concept, we find the claim is not patent-eligible under § 101. Therefore, we enter a new rejection of claim 12 and its dependent claims 13–20 under 35 U.S.C. § 101.

DECISION

The Examiner's rejection of claims 12–20 under 35 U.S.C. § 112(b) or 35 USC. § 112, second paragraph (pre-AIA), is reversed.

The Examiner's rejections of claims 12–20 under 35 U.S.C. § 103(a) are reversed.

A NEW GROUND OF REJECTION of claims 12–20 under 35 U.S.C. § 101 has been entered.

37 C.F.R. § 41.50(b) provides that "[a] new ground of rejection . . . shall not be considered final for judicial review." 37 C.F.R. § 41.50(b) also provides that the Appellant, WITHIN TWO MONTHS FROM THE DATE OF THE DECISION, must exercise one of the following two options with respect to the new ground of rejection to avoid termination of the appeal as to the rejected claims:

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(1) *Reopen prosecution.* Submit an appropriate amendment of the claims so rejected or new evidence relating to the claims so rejected, or both, and have the matter reconsidered by the examiner, in which event the proceeding will be remanded to the Examiner.

(2) *Request rehearing.* Request that the proceeding be reheard under § 41.52 by the Board upon the same record.

Further guidance on responding to a new ground of rejection can be found in the *Manual of Patent Examining Procedure* § 1214.01.

No time period for taking any subsequent action in connection with this appeal may be extended under 37 C.F.R. § 1.136(a)(1)(iv).

<u>REVERSED; 37 C.F.R. § 41.50(b)</u>